



Skoolumy

**CAMBRIDGE A LEVEL ECONOMICS TOPICAL
MULTIPLE CHOICE QUESTIONS**

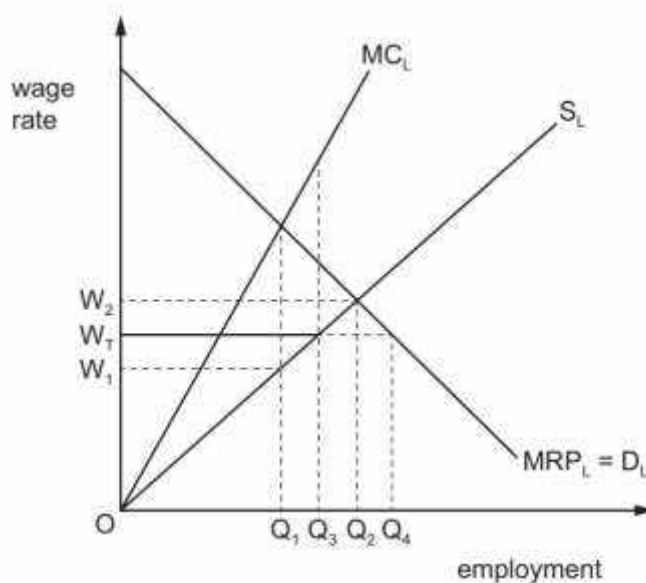
LABOUR MARKET

PAST QUESTIONS

1 What will cause an outward shift in the demand for labour curve?

- A a decrease in the top rate of income tax
- B an increase in the demand for the final product
- C an increase in subsidies to firms
- D an increase in the size of the working population

2 The diagram shows what happens when the employees of a profit-maximising monopsonist employer form a trade union and successfully negotiate a wage rate of OWT.



What is the effect of the new wage rate on employment?

- A It falls from OQ_2 to OQ_1 .
- B It falls from OQ_2 to OQ_3 .
- C It rises from OQ_1 to OQ_3 .
- D It rises from OQ_1 to OQ_4 .

3 Most workers in a country are employed in the manufacturing sector where they are paid a fixed wage rate per hour.

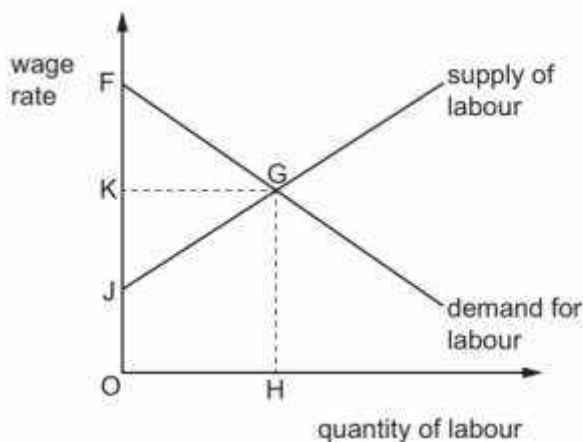
What will lead to an increase in the net advantage of workers currently employed in the manufacturing sector?

- A a reduction in working hours available
- B a shift in the country's economy to the service sector
- C a subsidised lunch is made available
- D an increase in the number of jobs available

4 When will a profit-maximising firm employ the optimum number of workers?

- A when the average revenue product of labour equals the average cost of hiring workers
- B when the marginal revenue product of labour equals the average cost of hiring workers
- C when the marginal revenue product of labour equals the marginal cost of hiring workers
- D when the marginal revenue product of labour equals the trade union supplied cost of workers

5 The diagram shows the labour market for farm workers in New Zealand.



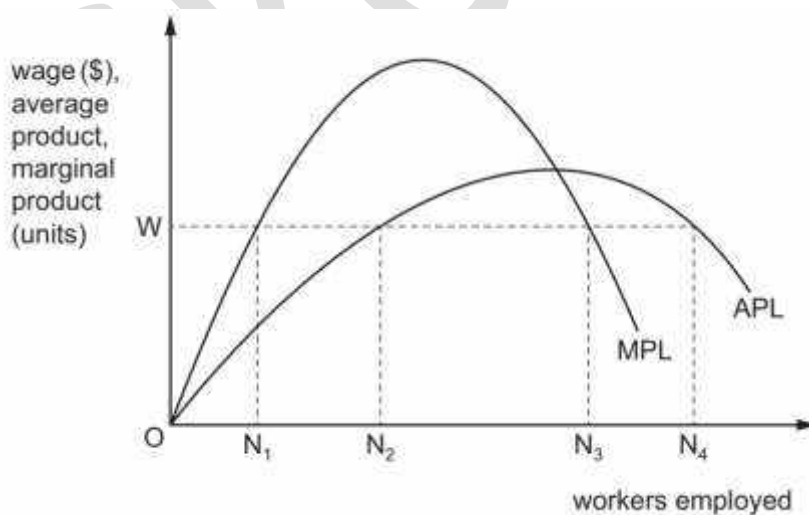
Which areas represent the economic rent and transfer earnings of the farm workers?

	economic rent	transfer earnings
A	GFK	GHOJ
B	GHOJ	GJK
C	GJK	GJF
D	GJK	GHOJ

6 What would shift the marginal revenue product curve for workers producing electric vehicles to the right?

- A a decrease in the price of petrol vehicles
- B a decrease in the productivity of electric vehicles workers
- C an increase in the price of electric vehicles
- D an increase in the wage rate of electric vehicles workers

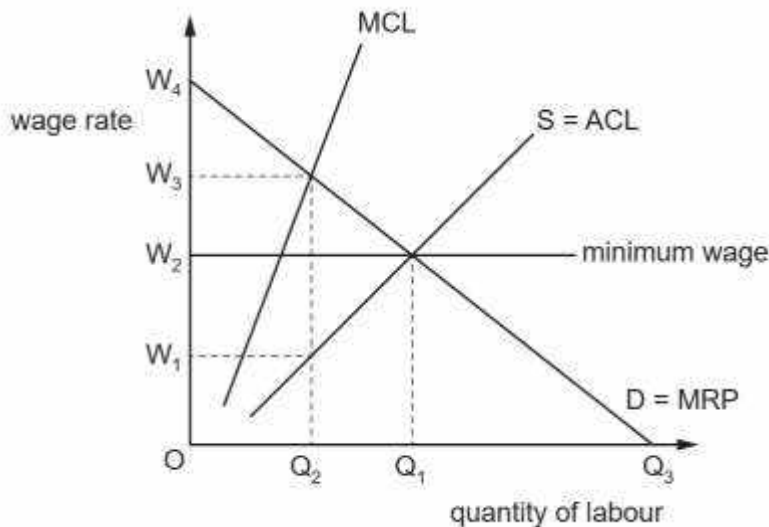
7 The diagram shows a perfectly competitive firm's average product of labour (APL) and marginal product of labour (MPL) curves.



How many workers will the firm employ at a wage of W ?

A ON_1 B ON_2 C ON_3 D ON_4

8 The diagram illustrates a monopsony labour market in which the government has imposed a minimum wage.



What is the difference between the wage the monopsonist wishes to pay and the wage received by labour?

A W_1W_3 B W_1W_2 C W_2W_3 D W_2W_4

9 Economics textbooks state that labour is a derived demand for a firm in imperfect competition.

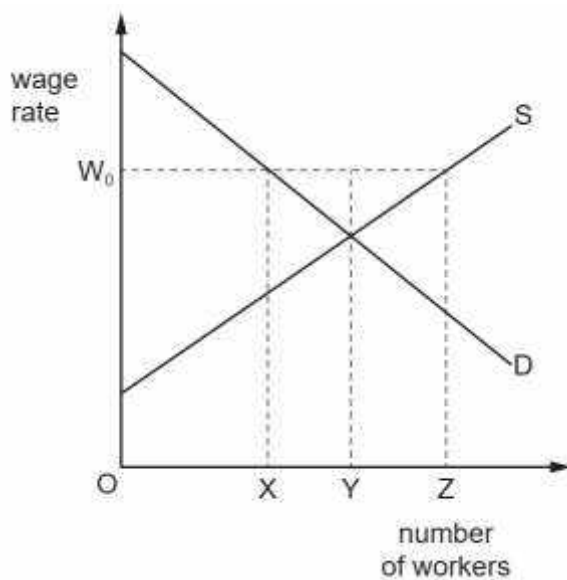
How is the demand curve for labour derived?

- A by multiplying the average physical product by the average revenue
- B by multiplying the average physical product by the marginal revenue
- C by multiplying the marginal physical product by the marginal cost
- D by multiplying the marginal physical product by the marginal revenue

10 What will lead the demand curve for labour to shift to the right?

- A a decrease in the marginal productivity of labour
- B a decrease in the wage rate
- C an increase in the marginal productivity of labour
- D an increase in the wage rate

11 The diagram shows an industry's demand for and supply of labour.

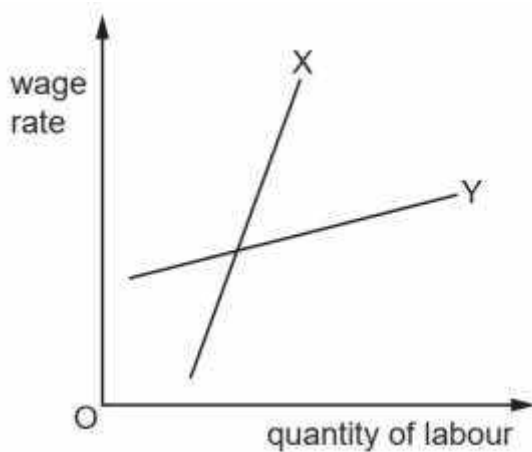


Initially, the labour market is in equilibrium. The government introduces a minimum wage of OW_0 .

What will be the effect on the level of employment in the industry?

- A a decrease equal to XY
- B a decrease equal to XZ
- C an increase equal to XY
- D an increase equal to YZ

12 The diagram shows the supply curve of labour for two separate markets, X and Y.



What explains the difference in the gradients of the labour supply curves?

- A Market X has a higher marginal revenue product per worker than Y.
- B Market X has a higher percentage of its labour belonging to a trade union than Y.
- C Market X has higher labour costs as a percentage of total costs than X.
- D Market X has more specific skills and training requirements than Y.

13 The table shows the main characteristics of employment in two occupations.

	occupation X	occupation Y
average annual wage	\$100 000	\$60 000
number of weeks of annual leave	5 weeks	10 weeks
average length of working week	48 hours	44 hours
job security	low	high
length of training course to obtain job qualification	1 year	2 years

What can definitely be deduced from the table?

- A Those employed in occupation Y attach greater importance to job security.
- B Those employed in occupation X attach less importance to leisure activities.

C There will be more competition for places on training courses to enter occupation X than occupation Y.

D Occupation Y has more non-pecuniary advantages than occupation X.

14 Wages in industry X are significantly higher than in industry Y.

What could explain this difference?

A Workers in industry Y are highly mobile.

B Trade union organisation in industry Y is relatively strong.

C Industries X and Y compete with each other for workers.

D Industry Y has non-monetary advantages.

15 What is a definition of transfer earnings?

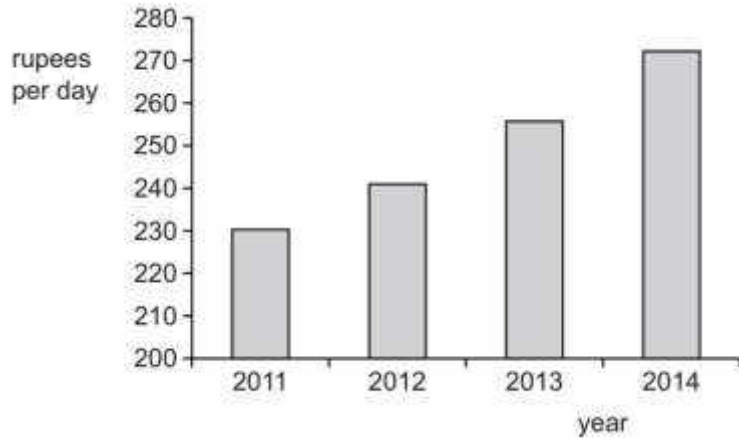
A the amount of earnings above that needed to keep a worker in their current job

B the minimum earnings needed to keep a worker in their current job

C the social security benefits paid to workers whose earnings are below the poverty line

D the amount of earnings needed to cause a worker to change to a different job

16 The chart gives information about the average daily wage rate for all industries in India.



What could have caused this trend in wage rates?

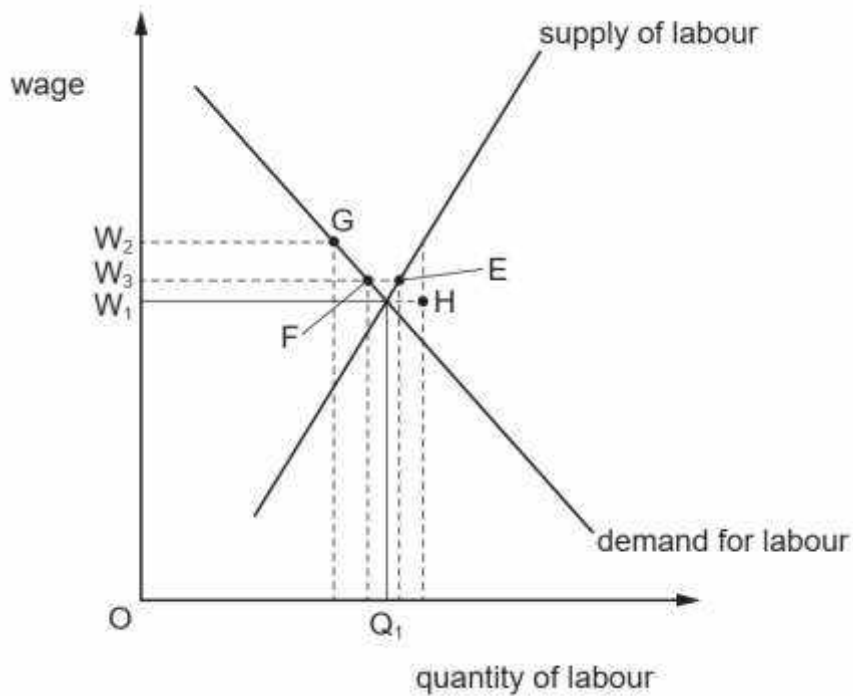
- A an increase in capital-intensive production
- B an increase in the number of industrial workers
- C an increase in the number of people unemployed
- D an increase in the productivity of labour

17 What represents the transfer earnings of the factor enterprise?

- A excess profit
- B normal profit
- C return on capital
- D start-up costs

18 The diagram shows the demand for and supply of labour in the construction industry. The labour market is initially in equilibrium when the wage is W_1 .

A trade union wishes to increase the wage but does not wish to decrease employment. The union asks for wage W_2 . The employers offer wage W_3 .



What would be the best policy to enable the trade union to achieve both its aims?

- A accept W_3 and a new equilibrium F
- B continue to ask for W_2 and a new equilibrium G
- C keep W_1 with a new equilibrium H
- D increase marginal revenue productivity and a new equilibrium E

19 What would be most likely to cause the demand for labour in an industry to be inelastic?

- A Labour costs are a small percentage of total cost.
- B The demand for the final product has a price elasticity of demand that is greater than one.
- C The workforce belongs to a strong trade union.
- D There is a large pool of readily available labour.

20 What is meant by economic rent?

A any amount above the minimum earnings required to keep labour in its current job

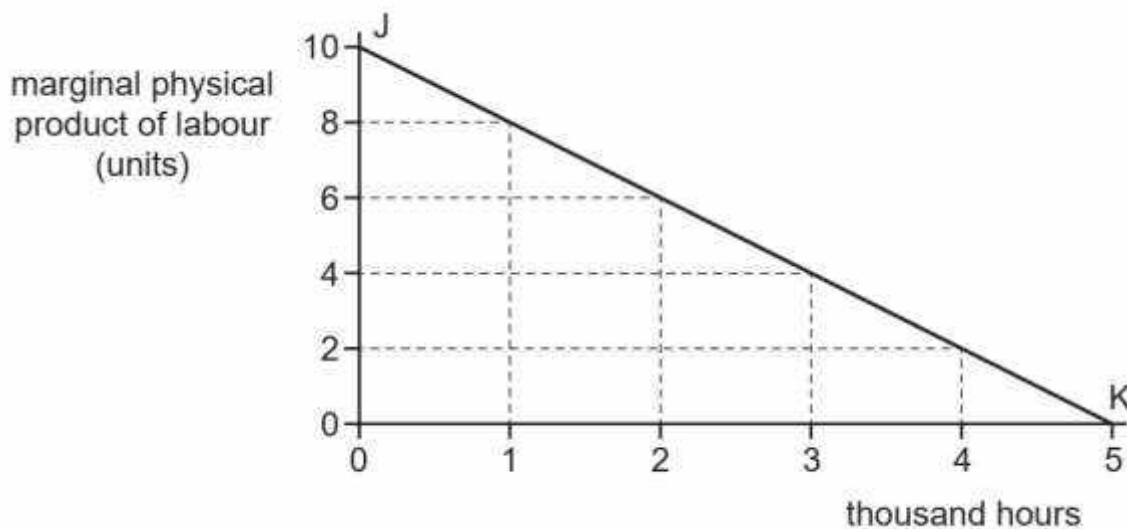
B the marginal physical product of labour multiplied by marginal revenue

C the minimum amount required to keep labour in its current job

D the regular payment to a property owner in exchange for the use of a building

21 A firm operates under perfect competition in both product and factor markets with labour as the only variable factor input.

In the diagram, the line JK shows the relationship between the marginal physical product of labour and the hours worked.

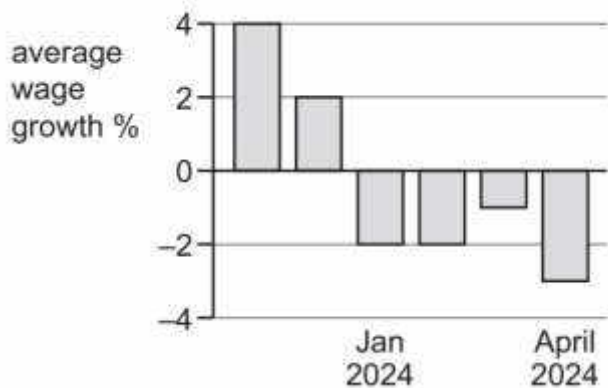


When the marginal revenue of the product is \$1.60, the firm uses 3000 hours of labour.

What is the hourly wage?

A \$0.40 B \$2.40 C \$5.60 D \$6.40

22 The graph shows the percentage growth in average earnings for an economy.



What is the most likely cause of the pattern shown in the graph?

- A a decrease in the supply of labour
- B a decrease in the interest rate
- C an increase in productivity
- D an increase in the size of the labour force

23 The table shows the output of chairs at a factory when different numbers of workers are employed.

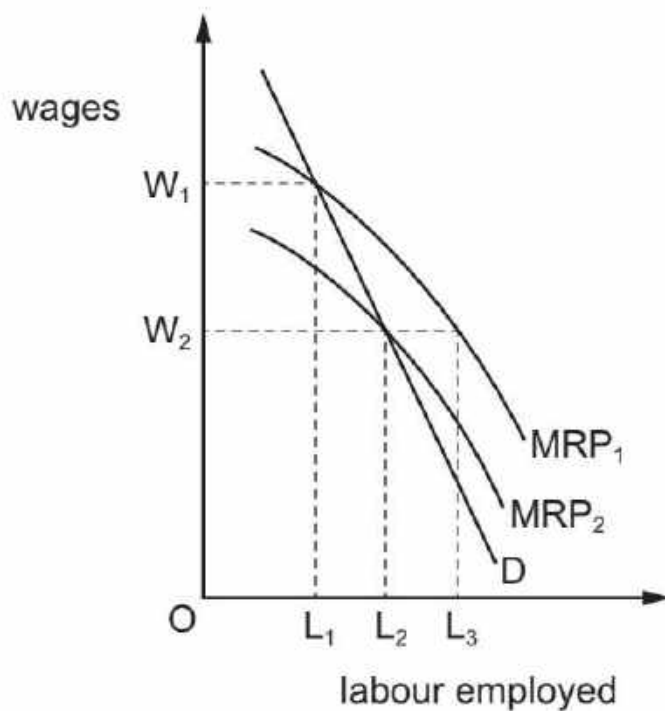
number of workers	0	1	2	3	4	5
number of chairs produced	0	7	17	26	34	40

When will diminishing marginal returns to labour set in?

- A when the second worker is employed
- B when the third worker is employed
- C when the fourth worker is employed
- D when the fifth worker is employed

24 In the diagram, D represents the long-run demand curve for labour in a firm operating in an imperfect market.

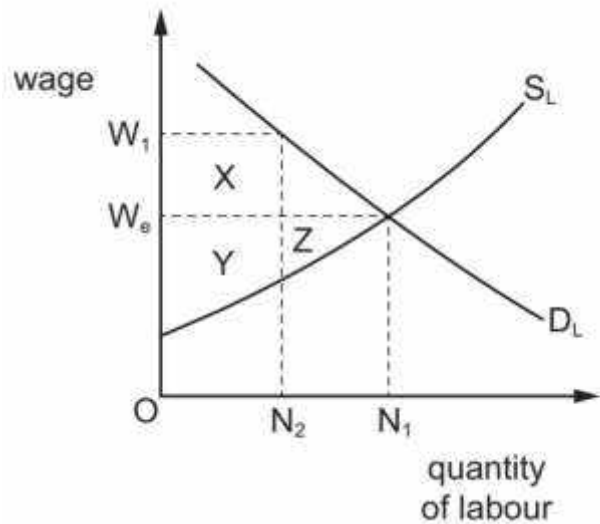
When there is a fall in the amount of capital invested per worker, the marginal revenue productivity of labour (MRP) curve shifts from MRP_1 to MRP_2 .



How does this shift affect the amount of labour employed in the long run, when wages fall?

- A It falls from L_3 to L_2 .
- B It increases from L_1 to L_2 .
- C It increases from L_2 to L_3 .
- D It remains the same at L_1 .

25 The diagram shows the demand for and supply of labour.



The government announces a minimum wage of W_1 .

Which area represents the increase in the economic rent of workers who will continue to be employed at the minimum wage?

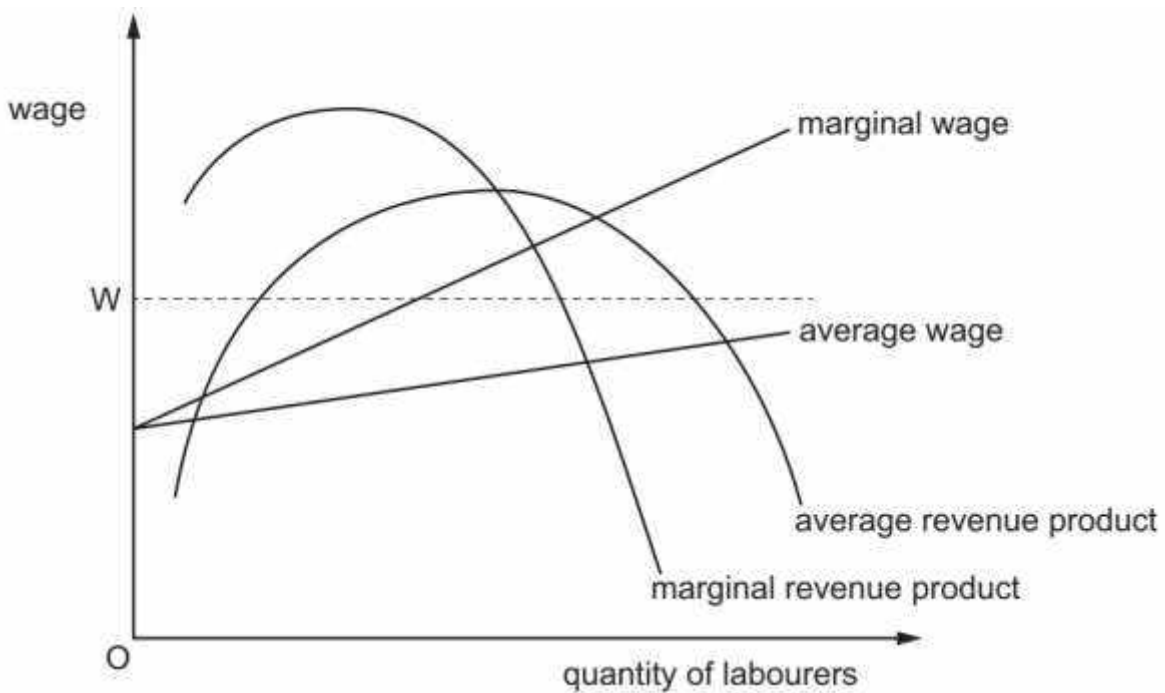
A X B Y C X+Y D X+Y+Z

26 A government is worried about the increasing monopsony power of employers in the wage bargaining process.

Which policy combination is most likely to improve the wages and employment prospects of workers?

	trade union powers	immigration controls	national minimum wage
A	strengthen	relax	cut
B	strengthen	strengthen	raise
C	weaken	relax	cut
D	weaken	strengthen	raise

27 The diagram shows the labour market for fruit pickers in country X.



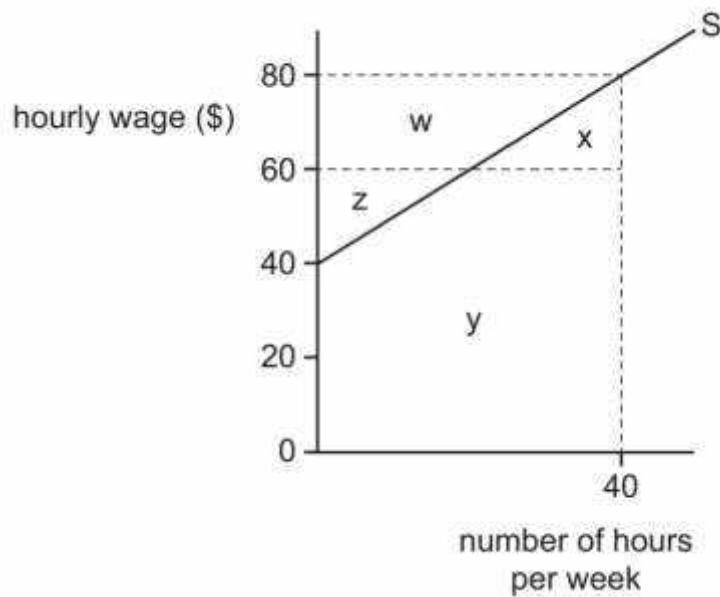
If the market was originally in equilibrium, what would happen to wages and employment if a minimum wage of W were imposed?

	wages	employment
A	fall	fall
B	fall	rise
C	rise	fall
D	rise	rise

28 What will not shift the demand curve for labour to the right?

- A improvement in marginal productivity of labour
- B increase in demand for the product
- C increase in the price of the product
- D increase in the wage rate

29 The diagram shows an individual's supply of labour curve.



He is offered a job which would require him to work a standard 40-hour week.

Which area measures the amount he would need to get him to accept this job offer?

- A $w + z$ B $x + y$ C $x + y - z$ D $w + x + z + y$

MARK SCHEME

1 B

2 C

3 C

4 C

5 D

6 C

7 C

8 B

9 D

10 C

11 A

12 D

13 D

14 D

15 B

16 D

17 B

18 D

19 A

20 A

21 D

22 D

23 B

24 B

25 A

26 B

27 D

28 D

29 B

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